

Message Text

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ORIGIN EUR-25

INFO OCT-01 ISO-00 XMB-07 EB-11 COME-00 L-03 H-03 CIAE-00

INR-10 NSAE-00 RSC-01 SP-03 /064 R

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APPROVED BY EUR/EE:RBHOUSTON

EUR/EE:CBROWN

EUR/EE:HGILMORE

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P R 201852Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY BELGRADE PRIORITY

INFO AMCONSUL ZAGREB

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E.O. 11652: N/A

TAGS: BDIS, YO

SUBJECT: TRADE COMPLAINT: ENGELHARD MINERALS AND
CHEMICALS CORP.

REF: BELGRADE 407

1. EXIMBANK CHAIRMAN CASEY ASKED YUGOSLAV AMBASSADOR GRANFIL TO COME IN ON JUNE 18 FOR A DISCUSSION OF CURRENT SITUATION IN YUGOSLAVIA AFTER HE HAD BEEN IN BELGRADE FOR CONSULTATION AND THE PARTY CONGRESS. WHEN REQUESTING THIS MEETING, CASEY ALERTED GRANFIL THAT HE WANTED TO DISCUSS THE ENGELHARD-JUGOMETAL (SMEDEREVO) PIG IRON MATTER.

2. AFTER REVIEWING THE "TROUBLESOME" SMEDEREVO PROBLEM WITH GRANFIL, CASEY EMPHASIZED THE IMPORTANCE OF MAINTAINING A SOUND BUSINESS REPUTATION FOR YUGOSLAV LONG-TERM DEVELOPMENT PLANS. GRANFIL SAID THAT YUGOSLAV EMBASSY OFFICIALS SPOKE ON JUNE 18 WITH REPRESENTATIVES OF THE SMEDEREVO ENTERPRISE STATIONED IN NEW YORK ON THE CURRENT STATUS OF THE PROBLEM. HE SAID THAT ALTHOUGH A NUMBER OF

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"EXTRANEIOUS EVENTS" -- ITALIAN TRADE RESTRICTIONS AND

ITALY'S LACK OF SUFFICIENT RR CARS -- WERE PUT FORTH BY THESE REPRESENTATIVES TO EXPLAIN DELIVERY FAILURES, HE WONDERED IF THEY WERE THE REAL REASONS.

3. CASEY ASKED GRANFIL TO PLEASE RESOLVE THE PROBLEM AS QUICKLY AS POSSIBLE TO AVOID ENLARGEMENT OF THE ISSUE, AS CONGRESS WOULD TAKE A DIM VIEW OF EXIM LENDING TO FOREIGN FIRMS THAT DO NOT FULFILL CONTRACTUAL OBLIGATIONS WITH US COMPANIES. GRANFIL SAID HE WOULD MAKE EVERY EFFORT TO HAVE THE DISPUTE SETTLED, AND WOULD KEEP MR. CASEY ADVISED.

4. FYI. ENGELHARD CORP. HAS INFORMED STATE AND EXIM THAT SMEDEREVO HAS DELIVERED ONLY 6000 OF THE 100,000 TONS OF PIG IRON SET IN THE 1972 CONTRACT DESPITE THE COMPROMISE AGREEMENT OF JANUARY 1974. ENGELHARD HAS EVEN OFFERED TO TRANSPORT THE PIG IRON F.O.B. FROM YUGOSLAV PORT TO ITALY TO OVERCOME THE CLAIMED ITALIAN INABILITY TO PROVIDE SUFFICIENT RR CARS. ENGELHARD HAS INFORMED US THAT THEY ARE SCHEDULED TO MEET JUGOMETAL REPS IN MILAN THIS WEEK. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE132284
Document Source: CORE
Document Unique ID: 00
Drafter: EESEGALL;XMB:DWIGG/RALBRIGHT:MD
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740161-0989
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740627/aaaaaxhf.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: BELGRADE 407
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 23 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 MAY 2002 by shawdg>; APPROVED <25 MAR 2003 by BoyleJA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TRADE COMPLAINT: ENGELHARD MINERALS AND CHEMICALS CORP.
TAGS: BDIS, YO
To: BELGRADE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005